



IV. What to Consider Before Retirement

this interview the retirement counselor will outline the alternatives available to you and provide you with an estimate of your retirement allowance.

The counselor can also provide information about when you will receive your retirement allowance and answer other questions you may have.

The demand for personal interviews has increased over the years. Members may experience a delay in meeting with a counselor during peak times. Members should not delay filing their retirement application while waiting for an interview.

Members may refer to the CalSTRS Web site to estimate a retirement allowance and to obtain more information about CalSTRS benefits.

When should I schedule a pre-retirement interview?

Pre-retirement interviews should be scheduled about 12 months in advance of your planned retirement date.

What information should I bring to the interview?

- the anticipated date of your retirement
- an estimate of your unused sick leave
- the number of days you are required to work during the year
- an estimate of your last three years of earnable compensation
- most recent statement of account

You are encouraged to bring your intended or named option beneficiary(ies) to this interview. If your option beneficiary(ies) is unable to attend the interview, please be prepared to supply the person(s) date of birth(s). All information shared with the retirement counselor during this interview is confidential and used only for preparing your personal retirement estimate.

A As you near retirement age, it is a good time to review your current financial status and plan for your final career years and approaching retirement. If you are about age 50, or if you are within a few years of your projected retirement date, you may want to consider the following:

Retirement Counseling

How can I obtain information and retirement counseling?

Workshops

CalSTRS invites local school districts to host benefit workshops conducted by a regional counselor. You may wish to attend a workshop early in your career and three to five years before your retirement.

A schedule of workshops is prepared and distributed in the fall. Schedules should be available at your school site, district office or county office of education.

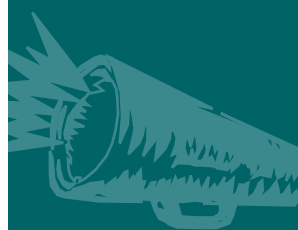


Personal Interview

Before you file a retirement application, schedule a retirement interview with a CalSTRS-trained regional counselor. During

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More Information About Regional Counseling Locations and Schedules

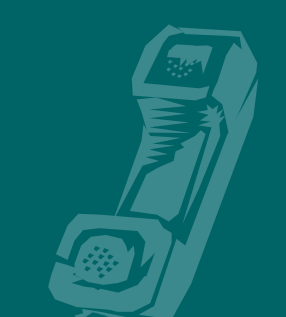
See Section X, General Information, Regional Counseling Centers or the CalSTRS Web site at www.calstrs.ca.gov for the location of the nearest regional counselor.

What About Social Security?


Members expecting to receive a full Social Security benefit and a CalSTRS retirement allowance need to know about two Social Security provisions that may reduce the Social Security benefit. A member's CalSTRS retirement allowance *will not* be reduced because of these provisions in Social Security law.



These provisions may affect members even if they have earned the minimum 40 Social Security credits through other employment or expect to receive a Social Security benefit based on a spouse's earnings.



Social Security benefits are based on the worker's average monthly earnings over a 35-year period, adjusted for inflation. When Social Security determines your benefits, it separates your average earnings into three amounts and multiplies the amounts using three different factors. For example, for a worker who turns 62 in the year 2003, the first \$606 of average monthly earnings is multiplied by 90 percent, the next \$3,653 is multiplied by 32 percent and the remainder by 15 percent.



Under the Windfall Elimination Provision, Social Security uses an alternative calculation for members who qualify for both a Social Security benefit based on their own covered employment (i.e., private industry) and a CalSTRS retirement allowance. For those who reach 62 or become disabled in 1990 or later, *the 90 percent factor is reduced to 40 percent*. The exact amount of the reduction is based on the member's earnings history and changes every calendar year. In 2002, the maximum WEP reduction is \$296 per month.

CalSTRS members who meet the 40-credit requirement should apply for Social Security, even though the benefit may be reduced. A

person is exempt from the Windfall Elimination Provision if they were eligible to retire from CalSTRS prior to January 1, 1986, or if they have had 30 or more years of what Social Security calls "substantial earnings" under employment covered by Social Security. In 2002, substantial earnings are \$15,750 or more, annually. If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to somewhere between 45 and 85 percent.

Social Security provides a guarantee to protect workers with relatively low pensions. The amount of the reduction cannot be more than one-half of that part of the pension based on earnings after 1956 not covered by Social Security.

The Government Pension Offset provision affects members expecting to receive a CalSTRS retirement allowance and a Social Security benefit as a spouse, former spouse, widow or widower. Under this provision, the Social Security benefit is reduced by two-thirds of the CalSTRS retirement allowance. If two-thirds of the CalSTRS allowance exceeds the amount of the member's spousal benefit from Social Security, the member will not receive a benefit from Social Security. Members are exempt from the GPO if they were eligible to retire from CalSTRS before December 1982 and met the Social Security spousal benefit requirements in effect in January 1977.

You may receive an overstated benefit estimate from Social Security because non-Social Security pensions such as CalSTRS are not taken into account in the estimate. You need to contact Social Security for a more accurate estimate of benefits.

For More Information

Due to the complexity of the formulas used in determining Social Security benefits and the many provisions and exceptions in Social Security law, CalSTRS members are urged to speak directly with Social Security representatives. The member can then determine if any of these provisions or exceptions apply to their individual circumstances.

Contact the Social Security Administration at 800-772-1213. Or visit their Web site at www.ssa.gov to review or download publications on the Windfall Elimination Provision and the Government Pension Offset.

Further information is available in a brief video on the two provisions at the CalSTRS Web site, www.calstrs.ca.gov.

What About Medicare?

While California educators do not pay into Social Security, many do pay for Medicare (1.45 percent of gross earnings). Members are eligible for Medicare if they meet the 40-credit requirement on their own or through their spouse's employment.

For DB members who retire before January 1, 2006, CalSTRS will pay Medicare Part A (hospital) premiums for eligible retired members who do not receive Part A premium free. This benefit may be extended by the Teachers' Retirement Board to members who retire in the future. See page 40 for more details about Medicare and health insurance after retirement.

Golden Handshake

The Golden Handshake Program became available March 15, 1994, and is in effect for eligible CalSTRS members who retire during a period established in a formal action taken by the member's employer before January 1, 1999. You may receive two additional years of service credit upon retirement under this program.

To qualify for the program, you must meet the eligibility requirements for service retirement and file a service retirement application with CalSTRS no later than the last day of the month in which you wish your retirement to be effective. See Section V, Service Retirement. Your retirement effective date must be within the Golden Handshake window period established by your employer.

Employer approval is required before this additional service credit can be included in your benefit calculation and the employer

must pay all costs associated with the additional service credit.

Reduced Workload Program

The CalSTRS Reduced Workload Program allows eligible members to reduce their workload from full-time to part-time duties (a minimum of 50 percent of full time) for up to ten years, normally the last ten years before retirement. The opportunity to participate is dependent on your employer offering the program.

You will receive full-time service credit while working less than full time. At the time of retirement, your allowance will be calculated as though you continued to work full time, including determination of final compensation.

You must be age 55 or older, have been employed full time for a minimum 10 years of credited service and have been employed full-time performing creditable service five consecutive years immediately before entering the program.

Both member and employer contributions are paid on the full-time earnable salary, rather than the actual part-time salary earned while participating in the program. Therefore, the employer will be required to pay a higher contribution rate for a member to participate.

The consequences of failing to work at least 50 percent as required by the program can be significant. This occurs if the member does not earn creditable compensation for at least 50 percent of full time in any one school year. Service credit for the year will be calculated on actual time worked.

For example, a member who was employed 50 percent of full time had her pay docked because she became ill and ran out of sick leave. Consequently she failed to perform creditable service for at least 50 percent of full time that year. Therefore, for that year she would not be eligible to participate in the Reduced Work Program. She would earn service credit for only the time worked.



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Retiring before the end of the school year can also impact program participants in the Reduced Workload Program. After discussing the Reduced Workload Program with your employer and reviewing personal qualifications, you must enter into a contractual agreement with your employer to participate.



Concurrent Retirement


CalSTRS DB Program members at least age 55 who are also eligible to retire from certain other California public retirement systems in California may retire with less than five years of CalSTRS credited service if they retire from both systems at the same time. Additionally, CalSTRS may use the salaries for service performed under the other retirement system to calculate the CalSTRS retirement allowance. The other public retirement systems in California are the Legislator's Retirement System, Public Employees' Retirement System, San Francisco City and County Employees' Retirement System, University of California Retirement System or those systems established under the County Employees' Retirement Law of 1937 (refer to Section XI, Glossary of Terms, for a list of the counties covered by the act).



Pre-Retirement Election of an Option

Electing an Option Before Retirement

If you are eligible to retire, you may make a pre-retirement election of an option for your DB allowance. This election is available if you do not yet wish to retire but want to ensure a monthly lifetime income to another person or persons if you die before retirement. (See Section V, Service Retirement, for a discussion of options.)



The monthly allowance paid to your beneficiary(ies) is based on the modified benefit that would have been paid if you had retired as of the date of death. At retirement, your allowance will be modified under the elected option.

When you retire, modification of your allowance will be made using the higher of the option factors in effect as of the date you elected the option or in effect on your retirement date.

The example illustrates two members, one who chooses an option before retirement and another who waits until retirement to choose an option.

Example

Member Chooses Pre-Retirement Election of an Option

- Member retires at age 60
- Option 2 beneficiary is also age 60
- Both member and option beneficiary were age 55 when pre-retirement option was chosen

Unmodified Allowance \$1,963.89

x Percentage Payable x .906
(From table on page 36)

= Member's Modified Allowance \$1,779.28

Member Chooses an Option at Retirement

- Member retires at age 60
- Option 2 beneficiary is also age 60

Unmodified Allowance \$1,963.89

x Percentage Payable x .879
(Option from table on page 36)

= Member's Modified Allowance \$1,726.26

The member in the first example has provided a lifetime monthly allowance to a beneficiary—even if the member should die before retirement. Although the allowance will be reduced at retirement, the modified allowance will be slightly higher than it would have been if the member had waited until retirement to choose an option, since the pre-retirement election of an option allows use of the younger member and beneficiary ages.

The advantages and disadvantages of choosing a pre-retirement election of an option must be assessed individually.

Advantages

If you should die before retirement, your option beneficiary(ies) will receive a lifetime monthly allowance. The allowance begins immediately upon your death, regardless of the age of the beneficiary(ies).

In most cases, the modified allowance will be greater if a pre-retirement election of an option is made than if an option is elected at the time of retirement.

If you become disabled after making a pre-retirement election of an option and you have Disability Allowance, Coverage A, you may retain the option election in order to provide a monthly allowance to your option beneficiary.

Disadvantages

If you cancel or change your pre-retirement election of an option before retiring, your retirement allowance will be reduced for life.

If your option beneficiary dies before you retire and you had elected an option, the election will be automatically canceled and your retirement allowance will be permanently reduced.

Spousal Signature

If you are married, the form for pre-retirement election of an option must be signed by your spouse or the justification for non-signature of spouse form must be completed and returned with the pre-retirement election. If your spouse does not sign or the justification for non-signature is not received by CalSTRS, the pre-retirement election is not acceptable and will not be effective until the requirements are met.

The election will be effective on the date signed only if it is received by CalSTRS within 30 days from the date you sign it. If the option beneficiary dies *before* you retire, the option is automatically canceled. Your retirement allowance will be permanently reduced to pay for the coverage provided by the pre-retirement option.

Cancellation of an Existing Pre-Retirement Election of an Option

You may cancel an existing pre-retirement election of an option at any time before retirement. A pre-retirement election of an option is canceled automatically when a member elects a new option, elects a new option beneficiary(ies) or if the option beneficiary predeceases the member.

If the pre-retirement election of an option is canceled, an assessment is calculated at retirement. The assessment will reduce your monthly retirement allowance for life.

The factors in effect on the cancellation date of the pre-retirement election of an option will be used to calculate the assessment. The assessment factor is based on the following:

- the option selected
- the amount of time the pre-retirement election was in effect
- the age of the member at the time of election and cancellation
- whether the member has Coverage A or Coverage B
- whether the option beneficiary is the member's spouse

If you are considering canceling your pre-retirement election of an option, electing a different option or naming a different option beneficiary(ies), CalSTRS recommends you meet with a CalSTRS regional counselor to discuss the possible effects of that change on your retirement allowance. (See page 19 for more information.)

A spouse *must* sign the cancellation of a pre-retirement election of an option or a justification for non-signature must be completed and returned with the request for cancellation. If the spouse's signature is not provided or the justification for non-signature of spouse is not received by CalSTRS, the cancellation is not acceptable and will not be effective until the requirements are met.

For more information regarding pre-retirement election of an option, call CalSTRS Teletalk at 800-228-5453 and select message #300, Pre-Retirement Election of an Option.



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Birthday Verification

Under some circumstances, CalSTRS will request verification of the birth date of a member and/or an option beneficiary(ies). Acceptable documentation for birth date verification is listed in order of preference:



- copy of certified birth record (recorded at least seven years prior to application for CalSTRS benefits)
- copy of certified church baptismal record (recorded within six years of birth)
- copy of transcript of listing in federal census (recorded within ten years of birth)

If the name has been changed from the name shown on the record of birth, a copy of marriage certificate or court order documenting the change is required. Please do not send originals.

If you do not have any of these records, please contact CalSTRS for assistance.